

1.0 Department of Health - Health Care Financing

Summary

The Division of Health Care Financing is the administrative agency for Utah's Medical Assistance Programs. The Division administers state and federal funds, and contracts with providers. It also gathers and analyzes data, and pays for the provided services. There are seven bureaus and approximately 431 employees, following the transfer of more than 100 FTE eligibility workers from the Department of Human Services over the past few years.

Federal regulations provide for a wide variety of funding ratios ranging from 50 to 90 percent for different classes of positions and functions for this division. Overall, federal funding makes up approximately 55 percent of the division's budget.

Federal law requires that the Medical Care Advisory Committee (MCAC) serve as an advisory board to the Division. This committee consists of providers, Medicaid recipients, and members of the community. The committee advises the Division on program content, policy, and priorities. The Board is advisory and its decisions are not binding on the Division.

Financial Summary

	FY 2000
<u>Plan of Financing</u>	<u>LFA</u>
General Fund	\$9,438,500
Federal Funds	28,237,800
Dedicated Credits	1,329,300
GF Rest. - Nursing Facility Account	31,900
Revenue Transfer	12,219,300
Total	<u>\$51,256,800</u>
 <u>Programs</u>	
Director's Office	\$3,468,500
Financial Services	4,070,900
Managed Health Care	2,328,700
Medicaid Operations	2,669,500
Eligibility Services	9,795,600
Coverage and Reimbursement	2,980,200
Contracts	25,001,900
Utah Medical Assistance Program	941,500
Total	<u>\$51,256,800</u>

3.1 Health Care Financing - Director's Office

Recommendation The Analyst's recommendation for the Director's Office for FY 2000 of \$3,468,500 is based on a staffing level of 52 FTE. This represents an increase of 0.7 percent, when compared to the FY 1999 estimated level of expenditures. The Federal funds for this entire division are Title XIX Federal funds.

The \$28,700 listed as Revenue Transfer is funding from the Department of Human Services - Division of Aging for contracted services provided to DHS by the Division of Health Care Financing.

3.1 Funding

	FY 1998	FY 1999	FY 2000	Difference
<u>Plan of Financing</u>	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$664,500	\$304,500	\$292,800	(\$11,700)
Federal Funds	2,150,928	2,246,800	2,239,900	(6,900)
Dedicated Credits	805,631	864,800	907,100	42,300
Revenue Transfer	144,528	27,300	28,700	1,400
Lapsing	(522,957)	0	0	0
Total	\$3,242,630	\$3,443,400	\$3,468,500	\$25,100
% Change		6.19%	0.73%	
FTE	43.7	52.0	52.0	0.0

Summary The Director's office of the Division of Health Care Financing administers and coordinates Utah's Medicaid program to comply with Title XIX of the Social Security Act, other laws of the State, and the appropriated budget. This is accomplished by planning, managing and evaluating activities which authorize payments to qualified providers of approved services who are reimbursed for appropriate and necessary medical assistance rendered to eligible beneficiaries.

Intent Language The FY 1999 Appropriations Act included several items of intent language in this line item. Each item, followed by the Analyst's response of compliance is listed:

It is the intent of the Legislature that the Division of Health Care Financing may expend up to \$10,000 of the General Funds allocated for Medical Assistance to provide emergency medical-related services for persons.

Response Up through November 30, 1998, authorized expenditures from this allotment amounted to \$3,493.

Intent Language *It is the intent of the Legislature that collected by the Division of Health Care Financing from the Utah Medical Assistance Program Dental Clinic for services provided are non-lapsing.*

Response No funds were carried forward via this intent language. This language has served its purpose and is no longer necessary. The Analyst recommends deleting this language for FY 2000 and beyond.

Intent Language *It is the intent of the Legislature that the Division of Health Care Financing pursue Federal Medicaid waivers to include Home Health Care in order to reduce costs and improve the quality of services.*

The Division of Health Care Financing reports the following:

This is to report what actions the Division of Health Care Financing has taken related to the intent language. While some of the initiatives have been part of Utah's Medicaid program for some time, all address ways to reduce cost and incorporate home health care components. Efforts are focused in three major areas:)1) use of Medicaid 1915(c) Home and Community-Based Service (HCBS) Waivers to prevent institutionalization, 2) enhancing the flexibility of Medicaid State Plan services to promote utilization of community-based alternative living arrangements in lieu of institutions, and 3) researching innovative, cost effective new programs such as all-inclusive programs for the Medicare/Medicaid dually eligible.

Intent Language *It is the intent of the Legislature that the Division of Health Care Financing use a Utah-specific market basket indicator for nursing facilities, to the extent possible, instead of a national one, in determining future rate increases for long-term care facilities.*

Response The Division reports that, after several contacts and meetings with the Utah Health Care Association (nursing home association), economists from the Governor's Office of Planning and Budget, and with people from Utah State University and Weber State University, a Utah-specific market basket was "looked at", but no indicator was implemented into the Medicaid figures.

Intent Language *It is the intent of the Legislature that the Department of Health contract with a private entity to process and administer Medicaid crossover claims. The compensation for processing and administering such claims shall be for the amount of the costs incurred by the department to process the claims internally.*

Response Blue Cross/Blue Shields was awarded the contract to process and administer the crossover claims (claims for individuals who are covered by both Medicaid and Medicare) for FY 1999 at what would have been the Division's cost to process the claims internally.

3.2 Health Care Financing - Financial Services

Recommendation The Analyst recommends an appropriation of \$4,070,900 for the Bureau of Financial Services. Both the required General Fund and Federal funds are reduced due to a reduction in data processing expenses.

3.2 Funding

	FY 1998	FY 1999	FY 2000	Difference
<u>Plan of Financing</u>	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$820,700	\$1,333,300	\$1,200,100	(\$133,200)
Federal Funds	3,557,463	3,113,100	2,838,900	(274,200)
GF Rest. - Nursing Facility Account	31,900	31,900	31,900	0
Revenue Transfer	48,508	0	0	0
Lapsing	636,489	0	0	0
Total	\$5,095,120	\$4,478,300	\$4,070,900	(\$407,400)
% Change		(12.11%)	(9.10%)	
FTE	18.7	17.0	17.0	0.0

Summary

The Bureau of Financial Services provides five functions within the division:

1. Manages the administration and service budgets for both the Medicaid and UMAP programs.
2. Monitors the drug rebate program within the State.
3. Evaluates the hospital and nursing home bed patient days and regulating tax assessments for these services.
4. Performs audits on Medicaid providers within the State to cost settle Medicaid reimbursements. This involves cost studies on reimbursement rates to evaluate if fair rates are being set for provider services.
5. Purchasing the office equipment and computer hardware and software for the division.

Federal funds make up almost 70 percent of the Bureau's budget. Over 50 of the Bureau's budget is for data processing services. There are 17 FTEs in the Bureau.

3.3 Health Care Financing - Managed Health Care

Recommendation The Analyst recommends an appropriation of \$2,328,700 for the Bureau of Managed Health Care. Federal funds make up approximately 52 percent of the bureau's funding.

The Revenue Transfer of \$52,600 is funding which comes from Utah State University for a project to educate state agency case managers (DSPD, Aging, Mental Health, DCFS, etc.) and HMO case managers about services offered through the other programs and how to navigate managed care systems.

3.3 Funding

	FY 1998	FY 1999	FY 2000	Difference
<u>Plan of Financing</u>	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$908,000	\$906,400	\$906,400	\$0
Federal Funds	955,047	1,230,500	1,201,200	(29,300)
Dedicated Credits	0	159,300	168,500	9,200
Revenue Transfer	9,891	52,600	52,600	0
Lapsing	(39,791)	0	0	0
Total	\$1,833,147	\$2,348,800	\$2,328,700	(\$20,100)
% Change		28.13%	(0.86%)	
FTE	31.3	41.5	41.5	0.0

Summary The bureau is responsible for the implementation and operation of the managed care initiative that includes contracts with health maintenance organizations (HMOs) and Prepaid Mental Health Plans (PMHP) to serve the medical and mental health needs of Medicaid clients. The bureau is also responsible for the development, implementation, and operation of specialized Medicaid services for special populations, home and community-based waiver programs, and the Medicaid well-child program.

The current status of clients in fee-for-service and HMOs is detailed in the table on the following page.

Distribution of Medicaid Clients	<u>FY 1997 *</u>	<u>FY 1998</u>	<u>FY 1999 est.</u>
Fee for Service Clients (Unduplicated)	146,741	158,161	161,324
HMO Clients (Monthly Average)**	74,017	72,958	74,782
Total	220,758	231,119	236,106

* Duplication of clients in both FFS and HMO occurred in FY 1997.

** Does not include the number of children being delivered or newborns under adjustment payments.

3.4 Health Care Financing - Medicaid Operations

Recommendation The Analyst recommends an appropriation of \$2,669,500 for Medicaid Operations. Almost 75 percent of the bureau's budget comes from federal funds.

The Revenue Transfer of \$13,200 is from the Division of Child and Family Services for the Custody Medical Care Contract.

3.4 Funding

<u>Plan of Financing</u>	FY 1998	FY 1999	FY 2000	Difference
	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$483,400	\$653,500	\$656,000	\$2,500
Federal Funds	1,863,026	1,998,400	2,000,300	1,900
Dedicated Credits	192	0	0	0
Revenue Transfer	11,851	12,600	13,200	600
Lapsing	141,555	0	0	0
Total	\$2,500,024	\$2,664,500	\$2,669,500	\$5,000
% Change		6.58%	0.19%	
FTE	41.0	49.0	49.0	0.0

Summary

The Bureau of Medicaid Operations has five components as follows:

1. Customer Service: The bureau staffs the Medicaid Information Line, providing on-line service to providers and clients regarding Medicaid eligibility, provider payment, transportation, and general information regarding all aspects of services provided by the Department of Health. A call management system ensures that calls get routed to the correct area without having to go through numerous transfers.
2. Utah Health Information Network (UHIN) Involvement - The UHIN is a statewide cooperative of Medicaid providers and other third party medical claims payers. The goal is to standardize health care information so that all claims data can be submitted in an electronic transaction to any payee. This activity was mandated by the 1992 Legislature.

3. Claims Processing - This bureau processes all claims received by Medicaid and UMAP programs, ensuring that the claims are properly entered into the MMIS system, and are adjudicated properly. They serve as trouble shooters working with providers in the event there are questions regarding payment or non-payment of claims.
4. MMIS troubleshooters - The bureau staff identifies and approves updates and corrections to the MMIS to ensure the system is properly handling information on services provided by Medicaid, UMAP or CHIP programs.
5. Special Projects - The bureau manages special projects under contract with Community and Family Health Services (Pre-natal program) and the Division of Family Services (Custody Medical Care Program). It also manages the Buy-Out program that ensures compliance with the third party liability requirements of the OBRA '90 legislation.

3.5 Health Care Financing - Eligibility Services

Recommendation The Analyst recommends an appropriation of \$9,795,600 for the Bureau of Eligibility Services. While this represents an increase of 315 percent over the FY 1995 actual budget, (due to the transfer of over 100 FTE eligibility workers from the Department of Human Services and the further addition of new eligibility workers due to growth and various expansions of the Medicaid program), it is a reduction when compared to the FY 1999 estimated budget. This is because approximately \$750,000 in salaries and benefits for eligibility workers is allocated to services provided by this bureau for the new Children's Health Insurance Program (CHIP).

Approximately 50 percent of the program's budget comes from Federal Funds.

This program receives \$18,100 from the Division of Community and Family Health Services and \$23,100 from the University of Utah Hospital.

3.5 Funding

<u>Plan of Financing</u>	FY 1998	FY 1999	FY 2000	Difference
	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$4,149,800	\$4,608,000	\$4,610,200	\$2,200
Federal Funds	4,482,029	5,183,100	4,897,900	(285,200)
Dedicated Credits	65,108	245,400	246,300	900
Revenue Transfer	9,170	329,700	41,200	(288,500)
Lapsing	276,304	0	0	0
Total	\$8,982,411	\$10,366,200	\$9,795,600	(\$570,600)
% Change		15.41%	(5.50%)	
FTE	176.9	220.5	218.5	(2.0)

Summary

The Bureau of Eligibility Services is responsible for eligibility policy and operations related to Medicaid eligibility, including nursing home eligibility determinations and out-stationed eligibility workers in hospitals and public health clinics. The bureau is also responsible for eligibility determination for the Utah Medical Assistance Program. The bureau coordinates and oversees the eligibility contract with the Department of Workforce Services and also coordinates Medicaid recovery activities with the Office of Recovery Services. The bureau currently has 220.5 eligibility staff, stationed throughout the State, with a total caseload (as of November 1998) of 33,089.

3.6 Health Care Financing - Coverage and Reimbursement

Recommendation The Analyst recommends an appropriation of \$2,980,200 for the Bureau of Coverage and Reimbursement for FY 2000.

The Division of Community and Family Health Services' outreach program for Baby Your Baby provides \$621,000 in the form of Revenue Transfers for the funding of this program.

3.6 Funding

<u>Plan of Financing</u>	FY 1998	FY 1999	FY 2000	Difference
	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$726,600	\$542,100	\$577,000	\$34,900
Federal Funds	1,719,218	1,809,800	1,782,200	(27,600)
Revenue Transfer	620,955	621,000	621,000	0
Lapsing	(163,092)	0	0	0
Total	\$2,903,681	\$2,972,900	\$2,980,200	\$7,300
% Change		2.38%	0.25%	
FTE	23.4	27.0	27.0	0.0

Summary

The Bureau of Coverage and Reimbursement Policy researches, analyzes, formulates, and makes recommendations for policy changes and new policy to the division director and department director. It is also responsible for the analysis of all pending and current federal and state legislation dealing with health care. The bureau is also responsible for all State plan (contracts with the federal government) changes and all rulemaking dealing with the Medicaid program.

The bureau's Utilization Management Unit controls the utilization of the Division's diminishing fee-for-service market. It performs this function while developing special fee-for-service contracts.

3.7 Health Care Financing - Contracts

Recommendation The Analyst recommends an on-going appropriation of \$25,001,900 for contracts in the Division of Health Care Financing.

The Revenue Transfer represents \$214,700 from the Division of Community and Family Health Services for services which Medicaid provides for outreach immunization efforts (\$109,700), the tobacco campaign (\$100,400), and \$4,600 for the pregnancy riskline. Additional transfers from other departments include \$6,046,700 from the Department of Workforce Services for the eligibility contract, \$2,590,000 from the Division of Services to People with Disabilities, \$959,000 from the Office of Recovery Services for their third party collections contract, \$837,000 from the Utah State Developmental Center, \$373,700 from the Division of Child and Family Services for seeding for administrative programs in foster care and targeted case management, \$129,200 from the Division of Aging also for administrative seeding, and \$150,700 from the Office of Education for nurse training.

3.7 Funding

	FY 1998	FY 1999	FY 2000	Difference
<u>Plan of Financing</u>	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$803,000	\$633,200	\$634,300	\$1,100
Federal Funds	12,841,710	13,067,700	13,066,600	(1,100)
Revenue Transfer	11,670,850	11,301,000	11,301,000	0
Lapsing	(353,758)	0	0	0
Total	\$24,961,802	\$25,001,900	\$25,001,900	\$0
% Change		0.16%	0.00%	
FTE	0.0	0.0	0.0	0.0

Summary Contracts are for eligibility determination, recovery services, and other services performed for the Division by the Departments of Human Services and Workforce Services.

3.8 Health Care Financing - Utah Medical Assistance Program Administration

Recommendation The Analyst has recommended an appropriation of \$941,500 for the administration of the Utah Medical Assistance Program (UMAP) for FY 2000.

The Revenue Transfer includes \$157,000 from the Department of Workforce Services and \$4,600 from Medicaid.

3.8 Funding

	FY 1998	FY 1999	FY 2000	Difference
<u>Plan of Financing</u>	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$564,800	\$573,900	\$561,700	(\$12,200)
Federal Funds	5,952	213,800	210,800	(3,000)
Dedicated Credits	7,017	7,400	7,400	0
Revenue Transfer	161,444	161,600	161,600	0
Lapsing	(6,980)	0	0	0
Total	\$732,233	\$956,700	\$941,500	(\$15,200)
% Change		30.66%	(1.59%)	
FTE	15.8	24.0	24.0	0.0

Summary

UMAP is a state-funded medical program that provides Statewide medical coverage to low income individuals who do not qualify for Medicaid or Medicare. To be eligible for UMAP, one must be a Utah resident, between the ages of 18 and 65, not disabled or blind, with a monthly income of less than \$387 and have countable resources less than \$500. UMAP serves approximately 11,000 eligibles, of which approximately 5,500 receive a service because it is related to either an acute or chronic life threatening infectious condition. In addition, UMAP operates three medical and three dental clinics. UMAP clinics are staffed with UMAP medical and dental staff and volunteer physicians, dentists, and chiropractors. The medical clinics provide both primary and preventative medical care. During FY 1998, the clinics registered over 18,900 patient encounters. The value of the medical services totaled \$1,017,000. Of the

\$1 million in services, approximately \$130,000 was donated by volunteer physicians/chiropractors and dentists. In addition, the medical clinics received over \$226,000 in donated goods.

4.0 Tables: Health Care Financing

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	Difference
<u>Plan of Financing</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>	<u>LFA</u>	<u>Est./LFA</u>
General Fund	\$5,899,400	\$9,053,300	\$9,120,800	\$9,554,900	\$9,438,500	(\$116,400)
Federal Funds	23,798,134	23,905,168	27,575,373	28,863,200	28,237,800	(625,400)
Dedicated Credits	570,980	916,127	878,008	1,276,900	1,329,300	52,400
GF Rest. - Nursing Facility Accour	31,900	31,900	31,900	31,900	31,900	0
Revenue Transfer	12,877,214	9,660,208	12,677,197	12,505,800	12,219,300	(286,500)
Lapsing	(463,018)	(399,773)	(32,230)	0	0	0
Total	\$42,714,610	\$43,166,930	\$50,251,048	\$52,232,700	\$51,256,800	(\$975,900)
<u>Programs</u>						
Director's Office	\$2,621,580	\$2,680,346	\$3,242,630	\$3,443,400	\$3,468,500	\$25,100
Financial Services	3,720,788	4,039,811	5,095,120	4,478,300	4,070,900	(407,400)
Managed Health Care	1,519,272	1,965,217	1,833,147	2,348,800	2,328,700	(20,100)
Medicaid Operations	2,064,375	2,402,156	2,500,024	2,664,500	2,669,500	5,000
Eligibility Services	3,386,668	7,940,135	8,982,411	10,366,200	9,795,600	(570,600)
Coverage and Reimbursement	2,043,131	2,696,325	2,903,681	2,972,900	2,980,200	7,300
Contracts	25,791,760	20,427,430	24,961,802	25,001,900	25,001,900	0
Utah Medical Assisstance Program	1,567,036	1,015,510	732,233	956,700	941,500	(15,200)
Total	\$42,714,610	\$43,166,930	\$50,251,048	\$52,232,700	\$51,256,800	(\$975,900)
<u>Expenditures</u>						
Personal Services	\$11,639,006	\$14,929,013	\$16,528,960	\$18,680,400	\$18,139,300	(\$541,100)
Travel	87,689	93,698	123,120	130,400	128,100	(2,300)
Current Expense	4,717,815	6,585,369	17,657,103	17,744,600	17,593,100	(151,500)
Data Processing	2,439,845	2,836,193	3,085,307	2,888,100	2,632,100	(256,000)
DP Capital Outlay	60,124	12,000	67,501	0	0	0
Capital Outlay	12,970	0	0	0	0	0
Pass-Through	23,757,161	18,710,657	12,789,057	12,789,200	12,764,200	(25,000)
Total	\$42,714,610	\$43,166,930	\$50,251,048	\$52,232,700	\$51,256,800	(\$975,900)
FTE	375.50	337.00	350.63	431.00	429.00	(2.00)

4.1 Federal Funds: Health Care Financing

	FY 2000
	<u>LFA</u>
Director's Office	
Title XIX	\$2,239,900
Financial Services	
Title XIX	2,838,900
Managed Health Care	
Title XIX	1,201,200
Medicaid Operations	
Title XIX	2,000,300
Eligibility	
Title XIX	4,897,900
Coverage/Reimbursement	
Title XIX	1,782,200
Contracts	
Title XIX	13,066,600
UMAP	
Title XIX	210,800
Total	<u><u>\$28,237,800</u></u>